

ADJUSTMENT BUDGET

2013/2014 to 2015/2016



Munisipaliteit UMJINDI Municipality

MP 323

UMJINDI LOCAL MUNICIPALITY

ADJUSTED

2013/14 MEDIUM-TERM REVENUE AND

EXPENDITURE FRAMEWORK (MTREF)

EXECUTIVE SUMMARY

| | |
|--------------------|--------------------------------|
| Core Business Area | Financial Services Directorate |
| Operational Area | Budget & Treasury Section |

**Owner: Umjindi Budget & Treasury Section
Client: Umjindi Local Municipality**

Document Classification:
Public
© Umjindi Local Municipality 2014

TABLE OF CONTENTS

| | PAGE NO |
|----------------------------|---------|
| 1. PURPOSE | 4 |
| 2. BACKGROUND | 4-6 |
| 3. BUDGET ASSUMPTIONS | 7-9 |
| 4. BUDGET HIGHLIGHTS | 9 |
| 5. OPERATING BUDGET | 10-11 |
| 6. EXTERNAL FUNDS (GRANTS) | 11-13 |
| 7. CAPITAL BUDGET | 14-16 |
| 8. REVENUE FRAMEWORK | 16-17 |
| 9. TARIFF SETTING | 18-32 |
| 10. EXPENDITURE FRAMEWORK | 33-34 |
| 11. CONCLUSION | 35 |
| 12. RECOMMENDATIONS | 35-36 |

1. PURPOSE

- 1.1 The purpose of the report is to table the Adjusted 2013/2014 Medium-Term Revenue and Expenditure Framework (MTREF) before Council in terms of Section 28 of the Local Government: Municipal Finance Management Act (MFMA), 2003 Act 56 of 2003, which states that the municipal council may revise an approved annual budget through an adjustments budget.

2. BACKGROUND

- 2.1 The 2013/14 MTREF will be remembered for the tremendous challenges that the Municipality encountered during the compilation of the 2012/2013 MTREF due cash flow constraints and competing IDP priorities as well as institutional needs for betterment of working conditions for staff.
- 2.2 The 2013/14 Adjustment Budget in January 2014 directly informed the compilation of the draft 2014/15 MTREF, aligned to the spirit of the MFMA, and more specifically the principle of multi-year budgeting.
- 2.3 The ADJUSTED 2013/14 MTREF is now being tabled for consideration and adoption according to section 28 of MFMA (Municipal Finance Management Act, 56 of 2003).
- 2.8 Section 22 (b), 23(3) and 24(3) of the MFMA will apply and be submitted to the National Treasury and the relevant Provincial Treasury in printed and electronic formats.

3. BUDGET ASSUMPTIONS

- 3.1 The adjustment Budget are prepared in an environment of uncertainty and assumptions need to be made about internal and external factors that could impact on the budget during the course of the financial year.
- 3.2 In compiling the 2013/14 MTREF, the following issues and assumptions that already started during the very difficult 2012/2013 MTREF process and adjustment budget were taken into consideration as the economic meltdown continued with ripple effects in 2013 and still have a major effect on the budget planning process and outcomes for the 2013/2014 MTREF and Adjustment budget for the 2013/2014 financial year:
 - 3.2.1 Economic climate;
 - 3.2.2 Poverty levels;
 - 3.2.3 Inflation; and
 - 3.2.4 Service delivery cost increases
 - 3.2.5 Increase of staff costs and demands
- 3.3 Tariff and Property Rate increases should be affordable and on line with the CPIX, however taking into account the need to address infrastructure requirements, as well as adjusting some tariff to make the costs of rendering the service to breakeven, therefore some tariff are more than the CPIX.
- 3.4 No budget will be allocated for capital projects unless the request is included in the IDP.
- 3.5 The disposal / selling of municipal vacant land (Stands to be sold) will be included as anticipated revenue to be realized and form part of the budget. The council will have to provide in future for more stands to be made available to middle and high income groups that can afford payment for services and which will expand the revenue base of the municipality.
- 3.6 Operational costs will be maintained at current levels or reduced as cost curtailment measures.

- 3.7 Budget allocations for externally funded projects will be maintained at approved or gazetted (Grants: Operating and Capital) levels be taken in consideration
- 3.8 Cash flow projections should be strictly maintained to ensure the municipality's ability to meet its obligations as contemplated in the budget.
- 3.9 Most general expenditure budget items and the repairs and maintenance budgets have been reviewed, increased and or decreased in line with the actual expenditure in the first 6 month of the financial year.
- 3.10 Employees salaries and contributions have been increased in line with the Bargaining councils 3 year agreement with unions signed during the 2012/13 financial year and a provisional increase of 6.8% is budgeted for. The bench marketing on the salary thresholds do have an influence of approximately R 3 500 000.00 on the total salary budget for the financial year.
- 3.12 Increase for Councillors allowances has been allowed for in the 2013/14 MTREF in line with the Remuneration of Public Office Bearers Act (No. 20 of 1998) and a provisional increase of 6% is budgeted for
- 3.13 The MTREF makes provision for ±2500 indigent household to be registered, approved and receiving free basic services in 2013/14.
- 3.14 This MTREF and adjustment budget does not make provision for Council to enter into any new external loans for capital funding purposes.
- 3.15 Provision for non-receipt of billed income has been made in the budget (this is called the working capital budget). It is assumed that of the total income budget 88% will be received as actual income. This has been maintained in the compilation of the adjustment budget. The Collection rate currently varies between 84% and 88%.
- 3.16 The Equitable Share, Finance Management Grant, Municipal System Improvement Grant, National Electrification Programme Grant, Water Infrastructure Grant and EPWP Incentive Grant where determined in line with the 2013/14 Division of Revenue Bill (*Bill published in Government Gazette No. 36180 of 22 February 2013*).

4. BUDGET HIGHLIGHTS

- 4.1 The amount of R 3,632 million that has been budgeted for as the indigent household subsidization on municipal services excluding water is maintained.
- 4.2 The amount of R3, 773 million that has been budgeted for as free basic services to other residents (6KI Water to all residential consumers) has been maintained.
- 4.3 An amount of R 65 748 million has been budgeted for infrastructure and institutional development (MIG=R28, 052 Million and INEP=R18, 000 million plus Equitable share counter funding of R2, 500 million for electricity programmes and R17, 701 for water infrastructure).
- 4.4 The envisaged sources of funding for the Capital Budget must be properly considered and the Council is satisfied that this funding is available and has not been committed for other purposes.

5. OPERATING BUDGET

- 5.1 The following table represents the 2013/14 Adjustments as informed by the 2013/14 MTREF, Integrated Development Plan and various other best practice methodologies e.g. Balanced budget constraint, affordability of services to the community within the context of sustainability.

ORIGINAL 2013/2014 BUDGET:

| DESCRIPTION | BUDGET 2013/14 | % OF BUDGET |
|--|--------------------|----------------|
| Operating Revenue by GFS Vote | | |
| TOTAL OPERATING REVENUE | 216 455 155 | 100 |
| | | |
| Operating Expenditure by GFS Vote | | |
| TOTAL OPERATING EXPENDITURE | 258 144 980 | 100 |
| | | |
| SURPLUS / (DEFICIT) original 2013/14 budget | -41 689 825 | |

ADJUSTED OPERATING BUDGET 2013/2014:

| DESCRIPTION | BUDGET 2013/14 | % OF BUDGET |
|--|--------------------|----------------|
| Operating Revenue by GFS Vote | | |
| TOTAL ADJUSTED REVENUE | 209 668 915 | |
| | | |
| Operating Expenditure by GFS Vote | | |
| TOTAL ADJUSTED OPERATING EXPENDITURE | 252 139 802 | |
| | | |
| SURPLUS / (DEFICIT) adjusted 2013/14 budget | -42 470 887 | |

- 5.2 The deficit of (- R 42 470 887) does include non-cash items for asset depreciation of R25 000 000, R 15 599 170 for Provision for bad debts (Debtor impairment) and R 2 500 000 for interest on long outstanding debtors creating a surplus of (R 400 709) if Internal Capital is added to the Budget.
- 5.3 Departments utilised the month of December 2013 (year-to-date figures) to capture detail adjustment budget proposal. The adjustment budget proposals were analysed during various management (budget) meetings which took place during January 2014.
- 5.4 Departments were given the opportunity to refine their budget proposals in line with the budget principles and availability of revenue.
- 5.5 These sessions did not only focus on expenditure, but revenue generation potential within the context of improved service delivery, operational efficiencies and potential gains

GFS Classifications

Government Finance Statistics

Revenue - Standard

| | Votes | Total budget per GFS | Total actual per GFS | Percentage per budget per GFS |
|----|---|--------------------------|-------------------------|-------------------------------|
| | | 2013/2014 | | |
| 1 | Executive & Council 0103/0101/0001/0003 | -617,900 | -964,151 | 156.04% |
| 2 | Budget & Treasury Office 0230/0203/0005/0201/0205/0251 | 77,291,437 | 42,479,368 | 54.96% |
| 3 | Corporate Services 0307/0007/0301/0311/0611/0303 | 26,231 | 18,139 | 69.15% |
| 4 | Planning & Development 0059/0053/0503/0051/0501/0505/0055 | 4,022,744 | 517,639 | 12.87% |
| 5 | Health 0421 | - | - | 0.00% |
| 6 | Community & Social Services 0403/0401/0421/0441/0443/0061 | 721,356 | 185,954 | 25.78% |
| 7 | Housing 0057/0067/0063/0065/0069/0071 | 1,942,307 | 157,653 | 8.12% |
| 8 | Public Safety 0433/0431/0437/0603 | 307,530 | 90,635 | 29.47% |
| 9 | Sport and Recreation 0411/0405 | 1,145,186 | 19,196 | 1.68% |
| 10 | Environmental Protection Nil | - | - | 0.00% |
| 11 | Waste Management 0480 | 10,549,767 | 4,208,586 | 39.89% |
| 12 | Waste Water Management 0550 | 14,944,276 | 2,090,404 | 13.99% |
| 13 | Road Transport 0435/0520/0605 | 11,918,166 | 1,209,293 | 10.15% |
| 14 | Water 0543/0540 | 59,674,365 | 10,339,358 | 17.33% |
| 15 | Electricity 0601 | 96,160,611 | 36,037,029 | 37.48% |
| | | Total budget 278,086,075 | Total actual 96,389,103 | |

Expenditure - Standard

| | Votes | Total budget per GFS | Total actual per GFS | Percentage per budget per GFS |
|----|---|---------------------------------|------------------------------|-------------------------------|
| | | 2013/2014 | | |
| 1 | Executive & Council 0103/0101/0001/0003 | -18,560,247 | -12,995,001 | 70.02% |
| 2 | Budget & Treasury Office 0230/0203/0005/0201/0205/0251 | -70,249,994 | -15,046,555 | 21.42% |
| 3 | Corporate Services 0307/0007/0301/0311/0611/0303 | -12,101,870 | -4,933,736 | 40.77% |
| 4 | Planning & Development 0059/0053/0503/0051/0501/0505/0055 | -12,842,587 | -3,392,253 | 26.41% |
| 5 | Health 0421 | - | - | 0.00% |
| 6 | Community & Social Services 0403/0401/0421/0441/0443/0061 | -5,520,566 | -2,585,017 | 46.83% |
| 7 | Housing 0057/0067/0063/0065/0069/0071 | -2,120,639 | -860,382 | 40.57% |
| 8 | Public Safety 0433/0431/0437/0603 | -5,833,167 | -2,548,283 | 43.69% |
| 9 | Sport and Recreation 0411/0405 | -8,893,009 | -4,743,387 | 53.34% |
| 10 | Environmental Protection Nil | - | - | 0.00% |
| 11 | Waste Management 0480 | -11,312,791 | -4,517,433 | 39.93% |
| 12 | Waste Water Management 0550 | -12,127,086 | -1,814,286 | 14.96% |
| 13 | Road Transport 0435/0520/0605 | -25,013,659 | -5,579,767 | 22.31% |
| 14 | Water 0543/0540 | -37,537,285 | -4,928,509 | 13.13% |
| 15 | Electricity 0601 | -99,203,215 | -33,080,030 | 33.35% |
| | | Total budget -321,316,114 | Total actual -97,024,639 | |
| | | Surplus / (Deficit) -43,230,039 | Surplus / (Deficit) -635,536 | |

1. Government Finance Statistics Functions and Sub-functions are standardised to assist national and international accounts and comparison

6. EXTERNAL FUNDS (GRANTS) - DoRA

- 6.1 With the promulgation of the 2013 Division of Revenue bill in February 2013, the following operational and capital allocations towards the municipality have been factored into the MTREF. (*Bill published in Government Gazette No. 36180 of 22 February 2013*)

| DESCRIPTION | BUDGET 2012/13 | BUDGET 2013/14 | INCREASE/ (DECREASE) % |
|----------------------------|-------------------|--------------------|------------------------------|
| MIG | 27 245 000 | 28 052 000 | 3 |
| INEP | 10 400 000 | 18 000 000 | 73 |
| FMG | 1 500 000 | 1 550 000 | 3 |
| MSIG | 800 000 | 890 000 | 11 |
| EPWP Incentive | 1 493 000 | 1 286 000 | -14 |
| Equitable Share | 45 152 000 | 52,307,000 | 16 |
| Water Infrastructure Grant | 0 | 17 196 000 | 100 |
| World Heritage | 0 | 0 | 0 |
| TOTAL GRANTS | 86 590 000 | 102 085 000 | -3 |

- 6.2 The table below illustrates how the above grants have been allocated to the various projects in the 2013/14 budget year:

| DESCRIPTION | FINAL BUDGET |
|--|--------------|
| MUNICIPAL INFRASTRUCTURE GRANT (MIG) | |
| Replace AC Pipes :Lower part of spearville, lower Dindela and part of CBD Phase 6 | 7 807 840 |
| Bulk Reticulation Sewer : Verulam | 9 000 000 |
| Roads & Stormwater drainage : Ext 13/14 Graveville (Main road) and one street in New Village | 9 000 000 |
| Sport Facilities | 1 122 080 |
| PMU | 1 122 080 |
| WATER INFRASTRUCTURE GRANT | |
| Bulk & Commercial taps reticulation : Esperado & | 6 000 000 |

| | |
|---|-------------------|
| Kamashayane | |
| Suidkaap Water purification and Queens River pump station | 6 000 000 |
| Refurbishment and upgrade Lomati Dam Wall (Phase 1) | 5 196 000 |
| TOTAL MIG | 45 248 000 |

| | |
|--|-------------------|
| INTERGRATED NATIONAL ELECTRIFICATION PROGRAMME (INEP) | |
| Bulk Electricity supply eMjindini Trust (Phase 2) | 6 500 000 |
| Sheba Siding electrification (Phase 2) (700 households) | 8 000 000 |
| Equitable share (Counter Funding) Sheba siding | 2 500 000 |
| eMjindini Trust (300 households) | 3 500 000 |
| Equitable Share (Counter Funding) No funds available in budget | Nil |
| TOTAL INEP | 20 500 000 |
| MUNICIPAL SYSTEMS INPROVEMENT GRANT (MSIG) | |
| Valuation Roll | 300 000 |
| Supply Chain Data Base | 240 000 |
| Asset Register | 250 000 |
| Development of By-laws | 100 000 |
| TOTAL MSIG | 890 000 |

| | |
|--|------------------|
| FINANCE MANAGEMENT GRANT (FMG) | |
| CPMD Training | 400 000 |
| Financial Interns | 550 000 |
| Review of Annual financial Statements (Case Ware Program and GRAP implementation | 300 000 |
| Internal Financial Management Workshops (SEBATA Financial Training/GRAP) | 300 000 |
| TOTAL FMG | 1 550 000 |

| EQUITABLE SHARE | |
|--|-------------------|
| Free Basic Services to all residents(Water 6KI) | 3 772 392 |
| Subsidy for approved Indigent households | 3 632 112 |
| MPRA (Municipal Property Rates Act) | 533 896 |
| Operational support for ward committees | 540 000 |
| Operational support for Councillors remuneration | 1 940 000 |
| Operational Budget support | 41 888 600 |
| TOTAL | 52 307 000 |
| EPWP INCENTIVE GRANT | |
| Labour intensive projects | 1 286 000 |
| TOTAL | 1 286 000 |

7. CAPITAL BUDGET

- 7.1 The Capital budget per department (Expenditure and funding resource) will be as per the attached adjusted capital budget schedules.
- 7.2 The total adjusted capital budget currently equates to R 69 213 625 million.
- 7.3 Departments have to take into account their capacity and funding to spend the requested budgets against the allocated projects in order to ensure implementation and provision of services delivery.

8. REVENUE FRAMEWORK

- 8.1 In order to serve the community and to render the services needed, revenue generation is fundamental to financial sustainability of every municipality.
- 8.2 The reality is that we are faced with developmental backlogs and poverty, challenging our revenue generation capacity. The requests always exceed the available funds. This was even more obvious when compiling the adjustment budget for 2013/2014.

- 8.3 Municipalities must according to the MFMA (Municipal Finance Management Act ,2003) table a balanced and more credible budget, based on realistic estimation of revenue that is consistent with their budgetary resources and collection experience.
- 8.4 The revenue strategy is a function of key components such as:
- 8.4.1 Growth in town and economic development;
 - 8.4.2 Revenue enhancement;
 - 8.4.3 Achievement of 90% annualized collection rate for consumer revenue;
 - 8.4.4 National Treasury guidelines;
 - 8.4.5 Electricity tariff increases within National Electrification Regulator of South Africa (NERSA) approval;
 - 8.4.6 Approval of full cost recovery of specific department;
 - 8.4.7 Determining tariff escalation rate by establishing/calculating revenue requirement; and
 - 8.4.8 Ensuring ability to extent new services and recovering of costs thereof.
- 8.5 The following table is a high level summary of the Adjusted 2013/2014 MTREF (Classified per main revenue source).
- 8.6 Increase revenue base through providing stands to be sold to middle and high income earners and commercial who can afford to pay for municipal services.

| Vote Description Revenue (Income) | Current year budget | Pro Rata July 2013 to December 20136 | Actual July 2013 to December 2013 | Surplus / (Shortfall): Actual budget vs Actual received | Adjustment Budget 2013/2014 |
|-----------------------------------|---------------------|--------------------------------------|-----------------------------------|---|-----------------------------|
| OPERATING REVENUE BY | | | | | |
| Property Rates | 23,569,187 | 11,784,594 | 5,174,808 | -6,609,786 | 17,709,401 |
| Electricity | 46,247,000 | 23,123,500 | 20,371,598 | -2,751,902 | 46,247,000 |
| Electricity Pre-Paid | 27,247,811 | 13,623,906 | 15,040,442 | 1,416,537 | 28,664,348 |
| Water | 33,931,182 | 16,965,591 | 10,260,858 | -6,704,733 | 33,931,182 |
| Sanitation | 5,871,096 | 2,935,548 | 2,059,650 | -875,898 | 5,871,096 |
| Refuse Removal | 10,524,767 | 5,262,384 | 4,203,661 | -1,058,723 | 10,524,767 |
| Grants Operational | 50,003,000 | 25,001,500 | 34,358,000 | 9,356,500 | 49,968,000 |
| Interest & Inv Inc | 500,000 | 250,000 | 51,578 | -198,422 | 301,578 |
| Rent of Facilities | 1,479,267 | 739,634 | 290,784 | -448,850 | 1,030,417 |
| Interest on O/S Debt | 2,500,000 | 1,250,000 | 2,138,735 | 888,735 | 2,500,000 |
| Traffic Fines | 302,000 | 151,000 | 80,625 | -70,375 | 231,625 |
| Fines | 1,240 | 620 | 284 | -336 | 639 |
| Licenses and permits (Agency | 2,900,000 | 1,450,000 | 1,198,613 | -251,387 | 2,658,613 |
| Other (Miscellaneous) | 9,465,836 | 4,732,918 | 1,116,289 | -3,616,629 | 8,408,265 |
| Gains on Disposal of Assets | 100,000 | 50,000 | 438,596 | 388,596 | 438,596 |
| Profit on Sale of Inv Prop / Land | 1,812,769 | 906,385 | 282,582 | -623,803 | 1,183,388 |
| TOTAL OPERATING REVENUE | 216,455,155 | 108,227,578 | 97,067,103 | -11,160,475 | 209,668,915 |

9. TARIFF SETTING

- 9.1 Umjindi Municipality derives its revenue from the provision of services such as electricity, water, sanitation and refuse removal. A considerable portion of the revenue is also derived from property rates and grants by national governments as well as other minor charges such as traffic fines.
- 9.2 It is realised that the ability of the community to pay for services rendered is also under tremendous pressure and that the economic outlook for the near future require everybody to make sacrifices.
- 9.3 No additional revenue will be generated through tariff increased as no tariffs have been increased with the compilation of the adjustment budget in terms of section 28(1) of the MFMA (Municipal Finance Management Act, 2003)
- 9.4 The outcome of the increased in tariffs (Revenue) in the original approved 2013/2014 MTREF on different revenue categories remains as follows:

| DETAILS | 2013/14 PROPOSED TARIFF INCREASE | 2013/14 TOTAL BUDGETED REVENUE |
|----------------|--|---|
| Property Rates | New Valuation roll | 25 069 187 |
| Electricity | 7% | 72 494 811 |
| Water | 6% | 33 931 182 |
| Sanitation | 6% | 5 871 096 |
| Refuse Removal | Total new tariff structure | 10 524 767 |
| Cemetery | 10% | 190 000 |
| TOTAL | | 148,081,043 |

9.6 Equitable Share

9.15.1 The Equitable share allocation to the local sphere of government is an important supplement to existing municipal revenue and takes account of the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty and backlogs in municipalities.

9.15.2 It is an unconditional grant and allocations are contained in the Division of Revenue Act (DoRA).

9.15.3 A municipality should prioritize its budget towards poor households and national priorities such as free basic services and the expanded public works programme.

9.15.4 In terms of the DoRA (Division of Revenue act), the allocation towards Umjindi for 2013/2014 is R52 307 million for the financial year 2013/2014.

(Bill published in Government Gazette No. 36180 of 22 February 2013).

9.15.5 The Equitable Share of Umjindi has expected to increase due to recent census, but this was not meant to be as there was negligible increase in our Equitable Share.

10. EXEPENDITURE FRAMEWORK

10.1 Some of the salient features and best practice methodologies relating to expenditure include the following:

- 10.1.1 Asset renewal strategy (infrastructure repairs and maintenance a priority)
- 10.1.2 Balanced budget constraint (expenditure cannot exceed revenue)
- 10.1.3 Capital programme aligned to asset renewal strategy
- 10.1.4 Operational gains and efficiencies resulting in additional funding capacity on the capital programme as well as redirection of funding to other critical areas, and

10.2 The following table is a high level summary of the adjusted 2013/14 Medium-Term Expenditure Framework (Classified per main category of expenditure).

| Vote Description Expenditure | Current year budget | Pro Rata July 2013 to December 2013 | Actual July 2013 to December 2013 | Surplus / (Deficit): Actual budget vs Actual expenditure | Adjustment Budget 2013/2014 |
|---|---------------------|-------------------------------------|-----------------------------------|--|-----------------------------|
| Employee Remuneration | 59,667,581 | 29,833,791 | 34,742,683 | -4,908,893 | 65,599,883 |
| Employee : Social Contribution | 13,383,036 | 6,691,518 | 6,303,086 | 388,432 | 12,690,839 |
| Councillors Remuneration | 6,199,796 | 3,099,898 | 2,915,250 | 184,648 | 6,667,264 |
| Depreciation | 25,000,000 | 12,500,000 | | 12,500,000 | 25,000,000 |
| Repair & Maintenance | 8,156,675 | 4,078,338 | 633,314 | 3,445,024 | 4,720,707 |
| Interest Paid | 547,100 | 273,550 | 480,084 | -206,534 | 753,634 |
| Bulk Purchases | 64,535,000 | 32,267,500 | 28,927,822 | 3,339,678 | 62,535,000 |
| Contracted Services | 12,901,530 | 6,450,765 | 5,336,600 | 1,114,165 | 11,849,072 |
| Grant&Subsidypaid Operational (Free) | 7,940,000 | 3,970,000 | 2,076,892 | 1,893,108 | 7,940,000 |
| Free Basic Services | 46,968 | 23,484 | 9,000 | 14,484 | 31,984 |
| Contribution to Funds & Reserves | 18,053,170 | 9,026,585 | 2,454,000 | 6,572,585 | 2,931,000 |
| Internal Capital | 6,608,300 | 3,304,150 | 629,083 | 2,675,067 | 3,465,625 |
| General Expenses | 35,105,824 | 17,552,912 | 12,516,825 | 5,036,087 | 47,954,794 |
| Expenditure Total | 258,144,980 | 129,072,490 | 97,024,639 | 32,047,851 | 252,139,802 |
| Surplus/(Deficit) | -41,689,825 | -20,844,913 | 42,464 | -43,208,326 | -42,470,887 |
| NON-CASH ITEMS | | | | | |
| Asset depreciation | | | | | 25,000,000 |
| Bad Debts | | | | | 15,371,596 |
| Interest Debtors | | | | | -2,500,000 |
| Actual Surplus / (Deficit) on budget | | | | | 400,709 |
| Orders (Expend commitments) outstanding December 2013 | | | 12,130,515 | | 12,130,515 |

10.3 The total adjusted expenditure for the 2013/2014 year has decreased by 2% or R 6 005 178 against the 2013/14 approved MTREF (budget).

11. CONCLUSION

- 11.1 Although the Municipality in its entirety faces many financial and non-financial challenges, the continued improvement and development of an effective financial planning process aids the actualization of fulfilling its facilitating role to capacitate the community to build a prosperous future for all.
- 11.2 The 2013/2014 adjustment budget contains realistic and credible revenue and expenditure proposals which should provide sound basis for improved financial management and institutional development as well as service delivery improvement and implementation.

12. RECOMMENDATION

- 12.1 That in terms of Section 28 of the Municipal Finance Management Act, (Act 56 of 2003), the adjusted budget of the municipality for the financial year 2013/2014, and the multi-year and single year capital appropriations be approved as set out in the following tables: (Schedule B):
 - 12.1.1 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2.
 - 12.1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3.
 - 12.1.3 Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4.
 - 12.1.4 Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.
- 12.2 That the financial position, cash flow, cash-backed reserves/accumulated surplus, asset management and basic service delivery target are adopted as set out in the following tables:
 - 12.2.1 Budgeted Financial Position as contained in Table A6.
 - 12.2.2 Budgeted Cash Flows as contained in Table A7.
 - 12.2.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table A8.
 - 12.2.4 Asset Management as contained in Table A9.
 - 12.2.5 Basic Service Delivery measurements as contained in Table A10.

- 12.3 That the Service Delivery and Budget Implementation Plans for the adjustment budget be approved and implemented with effect from 1 February 2014.